

Asian Power:

Sino-Russian Conflict in Central Asia?

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Russian President Vladimir Putin and the state-owned gas monopoly, Gazprom, made front-page news when they ceased exporting natural gas to Ukraine in the winter of 2006, leaving Europe both irate and fearful due to its dependency on Russian energy.¹ What many failed to notice was that Russia's actions were consistent with a fifteen year-old policy of playing hardball with former Soviet members using gas and oil pipelines as carrots and sticks to force policies and actions favorable to Moscow. Three of the states most affected by this pipeline diplomacy and least discussed in the Western press are the resource-rich Central Asian states of Kazakhstan, Turkmenistan, and Uzbekistan. While energy-importing European states are vulnerable to Russia cutting supplies, exporting Central Asian states worry about Moscow shutting down pipeline access, without which they have few export options. The relationship between these states and Russia is further complicated by China's interest in Central Asia. Although Beijing and Moscow have recently patched up their rivalry, the increasing economic strength of both states plus jockeying between Russia and Central Asian states to serve as China's energy supplier may push Russia and China back into an antagonistic, and potentially dangerous, relationship.

The first part of this article elaborates on the energy wealth of the three Central Asian states and their dependence on Russian pipelines. The second part discusses China's increas-

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ing energy demands and the states from which it expects to import the necessary fuels to meet its industrialization goals. The third section focuses on current cooperation between Russia and China, and potential causes of future antagonism. I conclude by recommending continued Western engagement with Central Asian states by assisting them in building pipelines that will ease their reliance on Russian export routes. At the same time, the West should work more closely with Russia on economic issues while engaging the Sino-Russian alliance on issues in which all parties have a mutual concern, including drug trafficking and anti-terrorism, in order to avoid potential regional conflict.

Resource Rich And Dependent: The Central Asian States.

The Soviet Union's collapse opened a long-closed door for Kazakhstan, Turkmenistan, and Uzbekistan. These states had fossil fuels reserves that would have placed them in the world's top twenty, yet their fields were under-explored by the Soviets who preferred to focus on extraction from Russian land. In particular, the Caspian Sea—whose eastern shore is shared by Kazakhstan and Turkmenistan—is considered to have significant unrealized potential. The U.S. Department of Energy estimates that Kazakhstan has 30-40 billion barrels of proven oil reserves and 67-106 trillion cubic feet of natural gas as of 2007. While insignificant oil suppliers, both Turkmenistan and Uzbekistan have significant natural gas reserves, estimated at 100-102 trillion cubic feet and 65 trillion cubic feet, respectively.²

To fully realize the wealth implied by their endowments, these states must use export pipelines to reach cash-paying

customers. For Kazakhstan and Turkmenistan, the Soviet Union's collapse left all export routes within Russian territory, making these states especially vulnerable to Russian policies. Initially, Russia allowed the Central Asian states to export their fuel unhindered. However, after the first year of independence, it restricted Turkmenistan to selling only to cash-poor post-Soviet states, including Russia itself. This enabled Russia to free up its own gas for export to the West, leaving Turkmenistan essentially subsidizing Russia's aggressive pipeline diplomacy. On the other hand, Uzbekistan is able to export to bordering states and therefore does not rely on pipelines that cross Russian land. However, in order to maximize its energy exports, Uzbekistan requires new pipelines to previously untapped buyers.

The Central Asian states have had varying success in obtaining foreign direct investment for exploration, development, production, and export. Kazakhstan has been the most successful. Even before independence, President Nursultan Nazarbayev implemented a multi-vector policy under which he began cultivating energy ties with a variety of states. With over twenty-seven major oil and natural gas deals underway, Kazakhstan has signed lucrative agreements with the United States, several European states, Japan, Oman, South Korea, Russia, and China, among others.³ Of the fifteen former Soviet states, Kazakhstan has received more FDI annually since independence than any state has done, except Russia, averaging \$1.65 billion per year between 1992 and 2005.⁴ Kazakhstan's small population—only 15 million people—makes its investment achievement even more impressive.

Kazakhstan has also been the most

successful of the trio in securing new pipeline partners. It has accomplished this in part by including Russia as one of several partners in its oil and gas deals. As a result, Nazarbayev has secured numerous new pipelines, some short and some over one thousand miles long. A prime

successor, Berdymukhammedov, has tentatively pursued a multi-partner strategy in his first months in office, not unlike that of Kazakhstan.

Though less eccentric than his Central Asian neighbor, Uzbekistan's President Islam Karimov has obtained even less

There are reasons to fear the emerging partnership between Russia and China.

example of Kazakhstan's approach toward Russia is the important Caspian Pipeline Consortium, which became operational in 2001. Eleven entities jointly own the Consortium: Russian state-owned Transneft (24 percent), Kazakhstan (19 percent), and Oman (7 percent) collectively own 50 percent; eight private oil and gas companies own the remaining half.⁵ Although the pipeline runs through Russian territory, it expanded export volume, thus alleviating the need for Kazakhstan to compete with Russia for room in existing pipelines.

Uzbekistan and Turkmenistan have not fared nearly as well. Turkmenistan's cultish president, Saparmurat Niyazov—who died in December 2006—focused foreign investment hopes not on the former Soviet region or the West, but on Muslim states to the south, particularly Iran. This policy failed due to active U.S. opposition to anything related to Iran.⁶ Despite Turkmenistan's significant proven natural gas reserves, Niyazov garnered a mere \$105 million annual FDI between 1992 and 2005. Without U.S. support, Iran and Turkmenistan could not afford to build new export routes of any significance.⁷ However, Niyazov's

FDI for his state. Uzbekistan's primary natural gas purchasers are the small, cash-strapped states of Kyrgyzstan and Tajikistan, as well as southern Kazakhstan. Since these customers share borders with Uzbekistan, it has not directly relied on pipelines passing through Russian territory. Nevertheless, if it wants to expand export volume, particularly to states that can afford to pay in hard currency, Uzbekistan needs foreign investment. Karimov toyed with U.S. support, but then rejected the West after it sanctioned his state for massacring an estimated seven hundred citizens in what the government characterized as a necessary response to terrorists and other "poisonous snakes" trying to overthrow it.⁸ In January 2006, Uzbekistan signed the Russian-designed Eurasian Economic Community accords and immediately received a pledge for \$1.5 billion in investments and a role in a new pipeline deal from Russia.⁹

The three Central Asian states have pursued different strategies to improve their export options. Kazakhstan has consistently focused on multiple partners, including Russia, while Turkmenistan has rejected both Russia and the West. With a new president, however,

Turkmenistan has begun following a path similar to Kazakhstan's. Uzbekistan at first remained aloof, then tried the United States as a partner, and has finally focused on Russia. China offers yet another option, one in which the three states are increasingly looking to for partnership.

Energy Demands in China. With an economy rapidly developing under a concentrated growth plan and an insufficient domestic energy supply to fuel that growth, China is *the* future energy market.¹⁰ Analysts expect the state's natural gas consumption to increase by an average annual rate of 5.4 percent between 2002 and 2030 and oil consumption during the same period at a rate of 3.4 percent annually.¹¹ While U.S. oil consumption between 2005 and 2006 decreased by 1.3 percent, China's consumption increased by 6.7 percent.¹² China now uses only 9 percent of the world's oil, but its portion will undoubtedly increase, given its rapid industrialization and sheer size. Much of this consumption will be driven by a newly motorized population; by 2010, China is predicted to have 90 times more cars than it had 20 years before.¹³

Energy imports will have to increase. China currently brings in about 3.4 million barrels of oil a day, a figure predicted to jump to 10.9 million barrels by 2030. To meet this demand, China is developing relations with numerous states: its major petroleum company has exploration and production interests in twenty-one states and plans to invest \$18 billion more between 2005 and 2020.¹⁴ China's most significant energy growth will be in natural gas; analysts predict a nearly 1,000 percent increase in natural gas consumption between 1997 and 2020.¹⁵

Most of China's energy partners are

outside of Asia: 46 percent of imported crude comes from the Middle East and an additional 32 percent from Africa.¹⁶ Given China's rising demands and desire to diversify, the former Soviet republics have recently won a seat at the supply table. In 2006 and 2007, all three Central Asian states signed or completed major deals with China, the most important being a crude oil pipeline connecting Kazakhstan to China, which went operational in 2006. The project is notable not only for its length—it will eventually run 1,864 miles—but also for being China's first import pipeline.

Although the new pipeline does not cross Russian territory, it does connect to Russian pipelines, and as part of the deal, China buys not only Kazakh, but also Russian oil. Though most of Russia's exports are currently destined for Europe, this could begin to shift as Europeans—wary of Russian threats to cut gas supplies—seek alternative suppliers and as Russia actively pursues the Asian market. With China interested in both Central Asia and Russia as importers capable of connecting via pipelines, a clash of interests could alter the relative calm between Russia and China.

Current Cooperation, Future Antagonism?

Much has been written recently about the strategic partnership that has emerged between China and Russia since the end of the Cold War. After forty years of border disputes, the two states resolved their differences in favor of working together on economic and security issues.¹⁷ Their cooperation is an overt response to U.S. hegemony, the dominance of Western values in international organizations, and separatist demands from Muslims and others: Chechnya for Russia; Taiwan and the

Uyghur people bordering Central Asia for China. The formal framework for Russian-Chinese relations is the 2001 Shanghai Cooperation Organization, which focuses on strengthening political, military, and economic ties. Since 2005, Russia and China have gone so far as to hold joint military exercises, an unprecedented level of collaboration for these two rising powers.

It is tempting to see the Sino-Russian alliance as a frightening, long-term collusion that could harm Western interests. The support these two states have provided to rogue regimes in North Korea and Iran demonstrates the power of this partnership to undermine Western objectives, or at least American ones. Though alliances can be long-lived, they are always mortal, eventually ending when interests invariably shift. The three Central Asian states could become an important locus for conflict among the two rising powers. Just as Central European states can be pulled East or West, Central Asian states are not clearly situated in either the Russian or Chinese sphere of influence. History, culture, geography, and economic and security interests suggest different possible allegiances for Central Asia.

by Russia to give it significant decision-making authority over trade and monetary policy in the region. They also have Russian military bases on their territories and have engaged in joint military exercises. Even the previously isolationist Uzbekistan and Turkmenistan have recently made overtures to Russia.

While Russia has worked hard to keep the Central Asian states in its sphere of influence, China cannot be ruled out as a potential alliance leader, particularly given its interest in securing natural gas and oil from the trio discussed here. In Peter Brookes' colorful words, "China will soon stand before us like a teenage Goliath, anxious to flex its political, economic, and, perhaps, even military muscle."¹⁹ China is unquestionably expanding its economy and military. During its initial moves toward capitalism between 1983 and 2005, China's GDP skyrocketed from \$227 billion to \$2,229 billion.²⁰ China's rulers are making good on a long-held promise to significantly revamp the military. A new, highly survivable, road-mobile, intercontinental ballistic missile is ultimately destined to achieve operational status. The U.S. Department of Defense predicts that a new, longer-range missile will become

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At the moment, Russia has significant sway over the region, as the Muslim former Soviet republics, particularly Kazakhstan, Tajikistan, and Kyrgyzstan, are among the most loyal to the Kremlin.¹⁸ These states have signed most of the eight economic integration accords designed

operational in 2007. New nuclear submarines, guided missile destroyers, anti-air warfare ships, and upgraded fighters and helicopters are among other additions. China also recently asserted its interest in building an aircraft carrier. Furthermore, China is moving from

buyer to builder, having completed its first domestically produced attack helicopter and defensive missile system.²¹ Many Asian specialists argue that this type of power projection is meant to be played out on a massive scale.

As the Chinese government noted in its *National Defense in 2006* report, "Never before has China been so closely bound up with the rest of the world as it is today."²² A more assertive China could decide to challenge Russia in its own backyard. Specifically, if China opts to build more pipelines that deliver oil and gas from Central Asia directly to itself, thereby bypassing Russia, it would seriously undercut Russia's primary point of leverage. Without control over pipelines, Russia loses much of its economic power over the Central Asian states and the cheap Central Asian gas that has fueled Russian exports to Europe.²³

Policy Recommendations. Western governments, corporations, and citizens have a variety of concerns in Central Asia. These myriad interests include lucrative energy deals for oil and gas companies, reliable energy supplies for Europe, the promotion of human rights for individuals living under authoritarian Central Asian regimes, and campaigns against militant Islam. On a more strategic scale, the West has an interest in weakening dependence on Russian pipelines—by promoting truly independent states as a buffer to rising Russian power—and ensuring regional stability and security.

With a focus on these two goals, the West should continue to promote alternative pipeline routes for the Central Asian states, particularly those that would bring fuel to Europe. This policy has the advantage of supporting two other inter-

ests: lucrative energy deals and a reliable energy supply for Europe. Given the new Turkmeni president's interest in a multi-vector policy resembling that of Kazakhstan, the West has an opportunity it should not squander.

At the same time, the West should consider emulating the strategy of Kazakhstan's president. Rather than shutting out Russia, Nazarbayev has enmeshed his great neighbor in a sophisticated network of energy deals in which Russia's influence is balanced by other states. This approach gives Russia an economic interest in more export pipelines, including ones that will bring fuel to Europe. The Russian people and their leaders are sensitive to Western policies that appear bent on suppressing Russian ambitions. While some of these policies should not be abandoned, such as the U.S. stance on Iran, the West should work more closely with Russia on economic issues; pipeline partnerships are an attractive option for increased engagement with a resurgent Russia.

The second broad goal—avoiding regional conflict—is far more challenging to attain and constitutes a more long-term concern. There are reasons to fear the emerging partnership between Russia and China. The presidents of both states share a respect for authoritarian methods and a similar willingness to challenge Western definitions of democracy, human rights, and other norms. They have strong relationships with other authoritarian and rogue states. If Russia and China can bolster each other's economies through energy sales and purchases, they may become even more resistant to Western demands.

Nevertheless, Western policy makers should not make too much of this new alliance. While China and Russia are cur-

rently engaging in joint military exercises, it is unlikely that either state would endorse more aggressive anti-Western policies if they were acting alone rather than in concert. Moreover, all alliances eventually reconfigure themselves; as both states see themselves as emerging or re-emerging great powers, they will soon find plenty of divisive issues. If China's efforts to foster a Central Asian-Chinese energy market and Russia's drive for regional hegemony end in a military clash, Western

interests will hardly be served. As a result, the West should pursue policies that allow both states to feel secure enough to not resort to armed conflict. Finally, the United States and the European Union should encourage and perhaps provide financial and technological support to those areas of Sino-Russian cooperation that also serve Western interests, for example, initiatives to curtail terrorist activities that present a threat to the West and other democracies.²⁴

NOTES

1 Keith Smith, "Gaz Promises: Russian Energy's Challenge for the West," *Georgetown Journal of International Affairs* (Winter/Spring 2007). For a discussion of actions against Belarus, see Kathleen J. Hancock, "The Semi-Sovereign State: Belarus and the Russian Neo-Empire," *Foreign Policy Analysis* 2, no. 2 (2006).

2 Energy Information Administration, "World Proved Reserves of Oil and Natural Gas, Most Recent Estimates," U.S. Department of Energy, <http://www.eia.doe.gov/emeu/international/reserves.html>. The report uses estimates from *BP Statistical Review, Oil and Gas Journal, World Oil*, and CEDIGAZ's *Natural Gas in the World*. Estimates of proved reserves change over time, as the price of fuel alters the economic viability of retrieving the oil or gas.

3 Energy Information Administration, "Kazakhstan: Major Oil and Natural Gas Projects," U.S. Department of Energy, <http://www.eia.doe.gov/emeu/cabs/Kazakhstan/kazaproj.html>.

4 World Bank, "WDI Online: World Development Indicators," <http://devdata.worldbank.org/dataonline/>.

5 Anna Shiryayevskaya, "Russia Transfers 24 percent CPC Stake to Transneft; Move Set to Increase Role of Pipeline Operator over Regional Infrastructure," *Platts Oilgram News*, 3 May 2007.

6 In 1995, President Bill Clinton issued an executive order, which President George W. Bush extended in March 2004, prohibiting U.S. companies and their foreign subsidiaries from conducting business with Iran. Furthermore, the Iran-Libya Sanctions Act of 1996 imposed mandatory sanctions on foreign companies that invested more than \$20 million per year in Iranian oil and natural gas sectors. U.S. Energy Information Administration, "Iran: Background," U.S. Department of Energy, <http://eia.doe.gov/cabs/Iran/Background.html> (3 February 2006).

7 Kathleen J. Hancock, "Escaping Russia, Looking to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas," *China and Eurasia Forum Quarterly* (August 2006).

8 UzReport.com, "Great Powers Want to Control Central Asia—Uzbek Leader," December 16, 2005, <http://web.lexis-nexis.com/universe> (13 June 2006).

9 "Russian Deputy Premiers Told to Involve Uzbekistan in Caspian Coastal Pipeline," *ITAR-TASS. BBC Worldwide Monitoring* July 9 2007, Igor Torbakov, "Russia Welcomes Uzbekistan into Its Eurasian Energy Empire," *The Jamestown Foundation*, 25 January 2006.

10 Although not yet keeping pace with China, India is another significant market.

11 International Energy Agency, "World Energy Outlook," (2004), 264.

12 BP, "BP Statistical Review of World Energy June 2007," www.bp.com/statisticalreview.

13 Gal Luft, "Fueling the Dragon: China's Race into the Oil Market," Institute for the Analysis of Global Security, <http://www.iags.org/china.htm>.

14 Energy Information Administration, "Country Analysis Briefs, China," U.S. Department of Energy, <http://www.eia.doe.gov/emeu/cabs/China/Oil.html>.

15 In 2002, the Chinese government anticipated a demand of 96 billion cubic feet in 2010. By fall 2004, the government had already increased this estimate to 120 billion cubic meters (see Su, p.2 and Yamaguchi and Cho, "Natural Gas in China," p. 4). Thus, the 2020 estimate maybe too low as well.

16 U.S. Department of Energy, "Country Analysis Briefs, China."

17 Valery Matyayev, "Russia-China: Forty Years of Border Negotiations," *International Affairs (Moscow)* 50, no. 6 (2004).

18 Belarus in Europe has been singularly the most loyal.

19 Peter Brookes, "The China Challenge: Beijing's Military Buildup," *Military.com*.

20 Peter Ferdinand, "Russia and China: Converging Responses to Globalization," *International Affairs* 83, no. 4 (2007).

21 Office of the Secretary of Defense U.S. Department of Defense, "Military Power of the People's Republic of China," (2007), 1-4.

22 Quoted in *Ibid.* 1.

23 For a similar perspective on this, see Andrew Neff, "China Competing with Russia for Central Asian Investments," *Oil & Gas Journal*, March 6 2006, Andrew Neff, "Russian-Chinese Competition May Marginalize US, European Influence," *Oil & Gas Jour-*

nal, March 13 2006.

24 The West should still be suspicious of anti-terrorist claims. Governments around the world have labeled political opponents terrorists as a means of validating their aggressive actions. The government used this justification when it massacred 700 civilians.